

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Burtchville Township	County St. Clair
Audit Date 3/31/05	Opinion Date 7/1/05	Date Accountant Report Submitted to State: 9/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple			
Street Address 1979 Holland Ave.	City Port Huron	State MI	ZIP 48060
Accountant Signature <i>Stewart, Beauvais & Whipple</i>			Date 9-27-05

BURTCHVILLE TOWNSHIP, MICHIGAN

**ANNUAL FINANCIAL STATEMENTS
with Supplementary Information**

**FOR THE YEAR ENDED
MARCH 31, 2005**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



BURTCHVILLE TOWNSHIP, MICHIGAN

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BURTCHVILLE TOWNSHIP, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board
Burtchville Township
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Burtchville Township, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Burtchville Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burtchville Township, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the basic financial statements, the Township adopted Governmental Accounting Statement Board Statement No. 34 and related statements as of and for the year ended March 31, 2005. This resulted in a change in the Township's basic financial statement format and content.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 33 through 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burtchville Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

July 1, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

Burtchville Township's 2005 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's only business type activity is the water supply system.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The only proprietary fund is the Water Fund.

Fiduciary Funds – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of \$9,745,590. This is an increase of \$114,101 over 2004. Government-type activities comprise \$2,063,298, and business-type activities make up \$7,682,292 of the total net assets. In a condensed format, the table below shows net assets as of the March 31, 2005. Future reports will provide comparative data.

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets	\$ 947,640	\$ 595,618	\$ 1,543,258
Restricted assets	61,728	3,070,769	3,132,497
Noncurrent assets	<u>1,144,231</u>	<u>8,556,964</u>	<u>9,701,195</u>
Total assets	<u>2,153,599</u>	<u>12,223,351</u>	<u>14,376,950</u>
Liabilities			
Current liabilities	90,301	21,405	111,706
Liabilities payable from restricted assets	-	82,731	82,731
Long-term liabilities	<u>-</u>	<u>4,436,923</u>	<u>4,436,923</u>
Total liabilities	<u>90,301</u>	<u>4,541,059</u>	<u>4,631,360</u>
Net Assets			
Invested in capital assets –			
Net of related debt	1,144,231	4,120,041	5,264,272
Restricted	355,646	2,988,038	3,343,684
Unrestricted	<u>563,421</u>	<u>574,213</u>	<u>1,137,634</u>
Total net assets	<u>\$ 2,063,298</u>	<u>\$ 7,682,292</u>	<u>\$ 9,745,590</u>

The Township governmental activities experienced a net change in assets of \$33,425. The business-type activities experienced a net change of assets of \$80,676.

The following table shows the changes in net assets for 2005. Future reports will provide comparative data for the statement of activities.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue			
Program revenue:			
Charges for services	\$ 155,682	\$ 614,853	\$ 770,535
Operating grants and contributions	16,769	-	16,769
Capital Grants and contributions	-	125,553	125,553
General revenue:			
Property taxes	236,945	-	236,945
State-shared revenue	272,828	-	272,828
Unrestricted investment earnings	17,506	64,827	82,333
Franchise fees	<u>22,137</u>	<u>-</u>	<u>22,137</u>
Total Revenue	<u>721,867</u>	<u>805,233</u>	<u>1,527,100</u>
Program Expenses			
General government	279,962	-	279,962
Public safety	184,891	-	184,891
Public works	188,114	-	188,114
Recreation and cultural	35,475	-	35,475
Water services	<u>-</u>	<u>724,557</u>	<u>724,557</u>
Total Program Expenses	<u>688,442</u>	<u>724,557</u>	<u>1,412,999</u>
Changes in net assets	<u>\$ 33,425</u>	<u>\$ 80,676</u>	<u>\$ 114,101</u>

Governmental Activities

Revenues for governmental activities totaled \$721,867 in 2005. Of this amount \$ 236,945 was from property taxes and \$ 272,828 from state shared revenues.

Business-type Activities

The Township has one business-type activity, the water operations. Total revenues was \$805,233 and expenses were \$724,557 for a change in net assets of \$80,676. Water is provided to the Township residents via the Detroit Water and Sewer Department.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Fund

The General fund ended 2005 with a fund balance of \$531,225, with \$173,185 reserved for an advance to the fire department for the purchase of a fire truck, that will be repaid over a the next seven (7) years. The remaining fund balance of \$358,040 is unreserved and undesignated. This an increase of \$65,600 from the prior year mainly as a result of charges for services being \$14,321 more then budgeted and general expenses being \$59,635 less then budgeted.

The General Fund budget was amended throughout the year as deemed necessary, primarily to prevent over expenditure. There were no significant general fund amends during the year.

The Fire Capital Fund experienced an excess of expenditures over revenues of \$203,172 as a result of purchasing a Fire Truck for \$233,185. The general fund advanced the Fire Capital Fund \$173,185 that will be repaid over the next seven (7) years.

The Building Inspection Fund budget was amended during the year with the most significant amendment adding \$19,000 of expenditures for administration fees charged by the general fund.

Business-type Activities

As indicated earlier, the Township has one business-type activity, the water operations. Total revenues were \$805,233 and expenses were \$724,557 for a change in net assets of \$80,676. Water is provided to the Township residents via the Detroit Water and Sewer Department. During the year the Township established a System Improvement/Equipment Replacement account which had a balance of \$ 155,399 at March 31, 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$9,701,195 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of March 31, 2005. The investment is capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water lines. During the year the Township added \$236,669 of capital assets, all of which was in the government-activities. Of the \$236,669 purchased in the government-type activities \$233,185 was for the purchase of a new fire truck.

The table below summarizes the capital assets at March 31, 2005:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 50,406	\$ -	\$ 50,406
Land improvements	151,301	-	151,301
Building	696,575	-	696,575
Equipment	777,604	45,236	822,840
Water system	<u>-</u>	<u>9,795,689</u>	<u>9,795,689</u>
	1,675,886	9,840,925	11,516,811
Accumulated depreciation	<u>(531,655)</u>	<u>(1,283,961)</u>	<u>(1,815,616)</u>
	<u>\$ 1,144,231</u>	<u>\$ 8,556,964</u>	<u>\$ 9,701,195</u>

Additional information on the Township's capital assets can be found in Note 8.

Long-Term Debt

At March 31, 2005 the Township's business-type activities had debt outstanding of \$4,436,923, a decrease of \$234,284 from the prior year. This debt is related to the construction of the water supply system.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

For the 2005/2006 fiscal year (4/30/05-3/31/06), the Township Board adopted a balanced budget. Although local municipalities in the State of Michigan have seen State Shared Revenues decrease significantly during the past few years, the 2005 budget does not anticipate any further cuts because of Michigan's constitutional guarantees as to revenue sharing. Additionally, present and future township revenues will be enhanced by payments from a long term cell tower lease and sale of the land previously occupied by Voting Precinct 2 at the North Town Hall. Currently, the largest increase in expenditures is expected for liability, employee health insurances, as well as utility and fuel costs.

CONTACTING THE TOWNSHIP

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, we invite you to contact Burtchville Township, 4000 Burtch Road, Lakeport, Michigan, 48059, or call the Township Hall at (810) 385-5577.

BASIC FINANCIAL STATEMENTS

BURTCHVILLE TOWNSHIP
St. Clair County, Michigan
STATEMENT OF NET ASSETS
MARCH 31, 2005

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 790,614	\$ 470,216	\$ 1,260,830
Investments	83,154	-	83,154
Receivables	26,309	92,856	119,165
Due from other governmental units	41,995	-	41,995
Prepaid expenses	21,692	-	21,692
Internal balance	(16,124)	16,124	-
Inventory	-	16,422	16,422
Restricted Assets -			
Cash and cash equivalents	6,667	252,898	259,565
Investments	47,373	1,000,000	1,047,373
Deposits with St. Clair County DPW	-	30,016	30,016
Receivable	7,688	1,787,855	1,795,543
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	50,406	-	50,406
Assets being depreciated	1,093,825	8,556,964	9,650,789
Total Assets	<u>2,153,599</u>	<u>12,223,351</u>	<u>14,376,950</u>
LIABILITIES:			
Payables and accrued liabilities	34,301	21,405	55,706
Deferred revenue	56,000	-	56,000
Liabilities payable from restricted assets	-	82,731	82,731
Non-current liabilities			
Due within one year	-	285,000	285,000
Due in more than one year	-	4,151,923	4,151,923
Total Liabilities	<u>90,301</u>	<u>4,541,059</u>	<u>4,631,360</u>
NET ASSETS:			
Invested in capital assets, net of related liabilities	1,144,231	4,120,041	5,264,272
Net assets			
Restricted			
Construction/Debt	-	2,988,038	2,988,038
Other	355,646	-	355,646
Unreserved	<u>563,421</u>	<u>574,213</u>	<u>1,137,634</u>
Total Net Assets	<u>\$ 2,063,298</u>	<u>\$ 7,682,292</u>	<u>\$ 9,745,590</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP
St. Clair County, Michigan
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	279,962	29,450	-	-
Public Safety	184,891	81,791	-	-
Public Works	188,114	41,421	2,476	-
Recreation and Culture	35,475	3,020	14,293	-
Total governmental activities	<u>688,442</u>	<u>155,682</u>	<u>16,769</u>	<u>-</u>
Business type activities				
Water Fund	<u>724,557</u>	<u>614,853</u>	<u>-</u>	<u>125,553</u>
Total Primary Government	<u><u>1,412,999</u></u>	<u><u>770,535</u></u>	<u><u>16,769</u></u>	<u><u>125,553</u></u>

General revenues:

- Property taxes
- Grants and contribution not
restricted to specific programs
 - State Shared revenue
 - Franchise fees
- Unrestricted investment income
- Total general revenues and transfers

Change in net assets

Net assets at beginning of year as restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(250,512)	-	(250,512)
(103,100)	-	(103,100)
(144,217)	-	(144,217)
(18,162)	-	(18,162)
(515,991)	-	(515,991)
-	15,849	15,849
(515,991)	15,849	(500,142)
236,945	-	236,945
272,828	-	272,828
22,137	-	22,137
17,506	64,827	82,333
549,416	64,827	614,243
33,425	80,676	114,101
2,029,873	7,601,616	9,631,489
\$ 2,063,298	\$ 7,682,292	\$ 9,745,590

BURTCHVILLE TOWNSHIP**St. Clair County, Michigan****BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

	General	Fire Fund	Building Inspection	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 260,632	\$ 86,688	\$ 23,430	\$ 419,864	\$ 790,614
Investments	71,352	11,802	-	-	83,154
Receivables -					
Interest, accounts, and taxes	14,427	7,828	-	4,054	26,309
Due from other governmental units -					
Federal/State	41,995	-	-	-	41,995
Due from other funds	8,623	-	-	1,000	9,623
Advances to other funds	173,185	-	-	-	173,185
Restricted Assets-					
Cash and cash equivalents	-	-	-	6,667	6,667
Investments	-	-	-	47,373	47,373
Interest Receivable	-	-	-	7,688	7,688
Total Assets	<u>\$ 570,214</u>	<u>\$ 106,318</u>	<u>\$ 23,430</u>	<u>\$ 486,646</u>	<u>\$ 1,186,608</u>

LIABILITIES AND FUND BALANCES**Liabilities:**

Payables -					
Accounts	\$ 12,492	\$ 1,213	\$ 1,139	\$ 497	\$ 15,341
Accrued wages	8,444	4,620	-	-	13,064
Deferred revenue	-	-	-	56,000	56,000
Deposits	1,929	-	3,967	-	5,896
Due to other funds	16,124	-	5,000	4,623	25,747
Advances from other funds	-	173,185	-	-	173,185
Total Liabilities	<u>38,989</u>	<u>179,018</u>	<u>10,106</u>	<u>61,120</u>	<u>289,233</u>

Fund Balances (Deficit):

Reserved -					
Advance to other funds	173,185	-	-	-	173,185
Cemetery Perpetual Care	-	-	-	60,728	60,728
Unreserved -					
Undesignated -					
General Fund	358,040	-	-	-	358,040
Special Revenue Funds	-	(72,700)	13,324	364,798	305,422
Total Equity	<u>531,225</u>	<u>(72,700)</u>	<u>13,324</u>	<u>425,526</u>	<u>897,375</u>
Total Liabilities and Fund Equity	<u>\$ 570,214</u>	<u>\$ 106,318</u>	<u>\$ 23,430</u>	<u>\$ 486,646</u>	<u>\$ 1,186,608</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP
St. Clair County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
MARCH 31, 2005**

Fund Balances - total governmental funds	\$ 897,375
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid Expenses recorded in the funds on the purchase method	21,692
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	1,675,886
Accumulated depreciation	<u>(531,655)</u>
Net Assets of governmental activities	<u><u>\$ 2,063,298</u></u>

The notes to the financial statements are an integral part of this statement.

BURTCHVILLE TOWNSHIP**St. Clair County, Michigan****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005**

	General	Fire Fund	Building Inspection	Other Governmental Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 79,734	\$ 103,155	\$ -	\$ 54,056	\$ 236,945
Intergovernmental	275,304	-	-	14,293	289,597
Licenses and permits	22,954	-	81,641	-	104,595
Charges for services	51,944	-	-	14,978	66,922
Interest	5,541	1,296	357	10,512	17,706
Other	1,373	-	-	4,729	6,102
Total Revenues	<u>436,850</u>	<u>104,451</u>	<u>81,998</u>	<u>98,568</u>	<u>721,867</u>
Expenditures:					
Current -					
General Government	262,370	-	19,050	-	281,420
Public Safety	6,812	307,623	57,784	-	372,219
Public Works	96,068	-	-	92,046	188,114
Recreation and Cultural	-	-	-	18,905	18,905
Total Expenditures	<u>365,250</u>	<u>307,623</u>	<u>76,834</u>	<u>110,951</u>	<u>860,658</u>
Excess of revenues over (under) expenditures	71,600	(203,172)	5,164	(12,383)	(138,791)
Other Financing Uses:					
Transfers out	(6,000)	-	-	6,000	-
Net change in Fund Balances	65,600	(203,172)	5,164	(6,383)	(138,791)
Fund Balances at beginning of year	<u>465,625</u>	<u>130,472</u>	<u>8,160</u>	<u>431,909</u>	<u>1,036,166</u>
Fund Balances (deficit) at end of year	<u>\$ 531,225</u>	<u>\$ (72,700)</u>	<u>\$ 13,324</u>	<u>\$ 425,526</u>	<u>\$ 897,375</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP
St. Clair County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005**

Net change in fund balances - total governmental funds	\$ (138,791)
Change in prepaid expenses recorded in the funds on the purchase method	4,517
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	236,669
Depreciation expense	<u>(68,970)</u>
Change in net assets of governmental activities	<u><u>\$ 33,425</u></u>

The notes to the financial statements are an integral part of this statement.

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

STATEMENT OF NET ASSETS
WATER FUND
MARCH 31, 2005

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 470,216
Receivables	92,856
Due from other funds	16,124
Inventory	16,422
Total Current Assets	<u>595,618</u>

Restricted Assets:

Cash and cash equivalents	252,898
Investments	1,000,000
Deposits with St. Clair County DPW	30,016
Receivables -	
Special Assessments	1,448,202
Connection Fees	244,678
Interest	94,975
Total Restricted Assets	<u>3,070,769</u>

Property, Plant and Equipment:

Property, plant and equipment	9,840,925
Less - accumulated depreciation	(1,283,961)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>8,556,964</u>
Total Assets	<u>12,223,351</u>

LIABILITIES:

Current Liabilities:

Accounts payable	<u>21,405</u>
------------------	---------------

Current Liabilities - Payable from restricted assets:

Accrued interest	74,616
Due to other governmental units	8,115
Current portion of contracts payable	285,000
Total Current Liabilities - Payable From Restricted Assets	<u>367,731</u>

Long-Term Liabilities - (net of current portion):

Contracts Payable, net of current portion	<u>4,151,923</u>
Total Liabilities	<u>4,541,059</u>

NET ASSETS:

Investment in capital assets, net	4,120,041
Reserved Construction/Debt	2,988,038
Unrestricted	
Designated - System Improvements	155,399
Unreserved	418,814
Total Net Assets	<u>\$ 7,682,292</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP, MICHIGAN**St. Clair County, Michigan****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS****WATER FUND****FOR THE YEAR ENDED MARCH 31, 2005****Operating Revenues:**

User charges	\$ 409,796
Turn on/off fees	7,113
Inspection fees	1,275
Other charges	17,231
Total Operating Revenues	<u>435,415</u>

Operating Expenses:

Salaries	69,662
Fringe benefits	22,112
Water purchases	150,121
Supplies	16,183
Professional fees	4,914
Contracted services	486
Utilities	10,145
Repairs and maintenance	7,700
Miscellaneous	37,953
Total Operating Expenses	<u>319,276</u>

Operating Income before depreciation	116,139
Depreciation/amortization	<u>(216,619)</u>
Operating Loss	<u>(100,480)</u>

Non-Operating Revenues (Expenses):

User charges - debt service	163,736
Interest earned on -	
Investments	48,798
Special assessments	81,001
Connection fees	16,029
Special assessments	44,552
Connection fees	15,702
Interest expense and fees for debt	<u>(188,662)</u>
	<u>181,156</u>

Net Income	<u>80,676</u>
Net Assets at beginning of year	2,748,974
Prior Period Adjustment	<u>4,852,642</u>
Net Assets at beginning of year as restated	<u>7,601,616</u>
Net Assets at end of year	<u><u>\$ 7,682,292</u></u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

STATEMENT OF CASH FLOWS
WATER FUND
FOR THE YEAR ENDING MARCH 31, 2005

Cash Flow From Operating Activities:

Receipts from customers	\$ 466,003
Payments to suppliers	(237,034)
Payments to employees	(91,774)
Net Cash Provided by Operating Activities	<u>137,195</u>

Cash Flow From Capital and Related Financing Activities:

Bond payments -	
Principal	(400,000)
Interest	(180,886)
Special assessments/connection fees	359,784
User charges - debt service	163,736
Contract payable	(9,621)
Deposits with St. Clair County	17,624
Due to other governmental units	4,414
Net Cash Used by Capital and Related Financing Activities	<u>(44,949)</u>

Cash Flow From Investing Activities:

Interest earned	<u>104,484</u>
Net Cash Provided from Investing Activities	<u>104,484</u>
Net increase in cash and cash equivalents for the fiscal year	196,730
Cash and Cash Equivalents at beginning of fiscal year	<u>526,384</u>
Cash and Cash Equivalents at end of fiscal year	<u><u>\$ 723,114</u></u>

**Reconciliation of operating loss to net cash provided
by operating activities:**

Operating loss for the fiscal year	\$(100,480)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	216,619
Changes in assets and liabilities -	
(Increase) Decrease in -	
Receivables	25,687
Inventory	961
Increase (Decrease) in -	
Payables	(5,592)
Net Cash Provided by Operating Activities	<u><u>\$ 137,195</u></u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP
St. Clair County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 4,480</u>
 LIABILITIES:	
Due to other governmental units	<u>\$ 4,480</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

Burtchville Township, Michigan, was organized as a Township in 1842. The Township is one of twenty-three (23) Townships in St. Clair County and covers an area of approximately 18 square miles. The Township operates under an elected Township Board which consists of the Supervisor, Clerk, Treasurer and two Trustees, and provides services to its more than 3,900 residents in many areas including fire protection, water, roads, cemetery, public safety and recreation.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2004 levy in the year ended March 31, 2005). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

Building Inspections Fund – is a special revenue fund used to account for fees collected for building construction code enforcement activities.

The Township reports the following major proprietary fund:

Water Fund – is used to account for the purchase and distribution of water services to residential and commercial users.

Additionally, the Township reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Agency Fund – is used to account for assets held by the Township as an agent for other governments and other funds.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonable approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items –

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in the statement of net assets.

Property Tax Calendar –

The Township’s property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance. The December 2004 levy is recognized as revenue for the year ended March 31, 2005.

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to April 1, 2004.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>
Land improvements	10-20
Buildings and improvements	20-50
Utility systems	50
Machinery and equipment	3-20

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information –

The Township Supervisor prepares and submits the proposed operating budgets for the year commencing April 1. The budgets include proposed expenditures and resources to finance them.

Prior to March 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the department level for the General Fund and the function level (second position representing major program area) for the Special Revenue Funds.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended March 31, 2005, the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amount appropriated as follows:

<u>Function/Activity</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount</u> <u>Expended</u>	<u>Budget</u> <u>Variance</u>
General Fund –			
Transfers Out	\$ -	\$ 6,000	\$ 6,000

Deficit Fund Balance –

As of March 31, 2005, the Fire Capital Fund (Special Revenue Fund) of the Township had a deficit fund balance of \$72,700. The deficit is a result of a new fire truck being purchased with an advance from the General Fund, which will be repaid over the next seven years from the fire tax millage.

BURTCHVILLE TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of March 31, 2005, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Deposits -			
Cash on hand –			
Petty Cash	\$ 400	\$ -	\$ 400
Deposits with Financial Institutions	<u>2,650,522</u>	<u>4,480</u>	<u>2,655,002</u>
Total Deposits	<u>\$ 2,650,922</u>	<u>\$ 4,480</u>	<u>\$ 2,655,402</u>
Reconciliation To Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 400	\$ -	\$ 400
Deposits	<u>1,519,995</u>	<u>4,480</u>	<u>1,524,475</u>
Total Cash and Cash			
Equivalents Reported on			
Combined Balance Sheet	<u>1,520,395</u>	<u>4,480</u>	<u>1,524,875</u>
Reported as Investments -			
Certificates of Deposit	<u>1,130,527</u>	<u>-</u>	<u>1,130,527</u>
Grand Total Combined Balance Sheet	<u>\$ 2,650,922</u>	<u>\$ 4,480</u>	<u>\$ 2,655,402</u>

Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of March 31, 2005 the bank balance of the Township's deposits were \$2,753,966 of which \$246,818 was FDIC insured with the balance \$2,507,148 uninsured and uncollateralized.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

Investments –

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 – TAXES:

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2004 levy has a State Equalized Value (SEV) of \$164,812,078 and a taxable value of \$112,382,854.

The millage rates levied by the Township were .6909 for General Operating, .4806 for the Blue Water Area Transportation service and .9170 for Fire protection.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Special Assessments	\$ -	\$ 1,448,202
Connection Fees	-	244,678
Accounts and Interest	33,997	187,831
Intergovernmental	<u>41,995</u>	<u>-</u>
	<u>\$ 75,992</u>	<u>\$ 1,880,711</u>

BURTCHVILLE TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 5 – RECEIVABLES – (cont'd):

Governmental fund report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the components of deferred revenue and unearned revenue reported in the governmental funds was as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Parks and Recreation Fund - Grants received by the Township not expended at March 31, 2005	\$ -	\$ 56,000

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of March 31, 2005:

Due to/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Cemetery	\$ 3,623
	Building Inspections	5,000
Cemetery	Cemetery Perpetual Care	1,000
Water	General	<u>16,124</u>
		<u>\$ 25,747</u>

Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Cemetery Fund	General Fund	<u>\$ 6,000</u>

NOTE 7 - INTERFUND ADVANCES:

Interfund advances described as Advances To/From other fund, reflect long-term amounts due or owed to a particular fund by another fund of the township. These amounts include current portion of long-term loans. A summary of these balances at March 31, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	<u>\$ 173,185</u>

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 8 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the Township for the year ended March 31, 2005 was as follows:

	April 1, 2004 <u>Balance</u>	<u>Additions</u>	Deletions/ <u>Adjustments</u>	March 31, 2005 <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 50,406	\$ -	\$ -	\$ 50,406
Capital assets, being depreciated:				
Land improvements	151,301	-	-	151,301
Buildings and improvements	696,575	-	-	696,575
Machinery and equipment	540,935	236,669	-	777,604
Total capital assets being depreciated	<u>1,388,811</u>	<u>236,669</u>	<u>-</u>	<u>1,625,480</u>
Less accumulated depreciation for:				
Land improvements	16,523	9,615	-	26,138
Building and improvements	224,397	14,089	-	238,486
Machinery and equipment	221,765	45,266	-	267,031
Total accumulated depreciation	<u>462,685</u>	<u>68,970</u>	<u>-</u>	<u>531,655</u>
Total capital assets being depreciated, net	<u>926,126</u>	<u>167,699</u>	<u>-</u>	<u>1,093,825</u>
Governmental activities capital assets, net	<u>\$ 976,532</u>	<u>\$ 167,699</u>	<u>\$ -</u>	<u>\$ 1,144,231</u>
Business Type Activities:				
Capital assets, being depreciated:				
Utility systems		\$ 9,795,689	\$ -	\$ -
Equipment	45,236	-	-	45,236
Total capital assets being depreciated	<u>9,840,925</u>	<u>-</u>	<u>-</u>	<u>9,840,925</u>
Less accumulated depreciation for:				
Utility systems		1,045,921	197,181	-
Equipment	39,498	1,361	-	40,859
Total accumulated depreciation	<u>1,085,419</u>	<u>198,542</u>	<u>-</u>	<u>1,283,961</u>
Business activities capital assets being depreciated, net	<u>\$ 8,755,506</u>	<u>\$ 198,542</u>	<u>\$ -</u>	<u>\$ 8,556,964</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 10,469
Public Safety	41,931
Recreation and Culture	<u>16,570</u>
Total depreciation expense-governmental activities	<u>\$ 68,970</u>
Business-type activities:	
Water and Sewer Operation	<u>\$ 198,542</u>

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 9 - LONG-TERM DEBT:

The following is a summary of changes in long-term liabilities (including current portion) for the year ended March 31, 2005:

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005	Due Within One Year
<u>Business-type Activities:</u>					
1996 General Obligation Bonds	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ -
1997 General Obligation Bonds	25,000	-	25,000	-	-
2000 General Obligation Bonds	2,025,000	-	75,000	1,950,000	75,000
2004 General Obligation Bonds	2,740,000	-	-	2,740,000	210,000
Deferred Amounts for Refunding					
Loss	(418,793)	-	(165,716)	(253,077)	-
	<u>\$ 4,671,207</u>	<u>\$ -</u>	<u>\$ 234,284</u>	<u>\$ 4,436,923</u>	<u>\$ 285,000</u>

St. Clair County has issued General Obligation Bonds to cover the cost of constructing a Water Supply System in Burtchville Township.

Pursuant to provisions of Act 185, Public Acts of Michigan, 1957 as amended, the County and the Township have entered into contracts, whereby the Township has agreed to pay to the County amounts sufficient to pay the principal of and interest on the bonds as they become due and payable.

In order to pay such amounts to the County, the Township is obligated, to the extent necessary to levy add valorem taxes without limitation as to the rate or amount on all taxable property listed in the Township. It is the intention of the Township Board to pay the obligations to the County from special assessments, connection fees, and user charges. Upon final payment of the contract, ownership of the system reverts to the Township.

\$2,225,000 Water Supply System No. IX – Series 2000 bond, dated July 1, 2000, due in annual installments ranging from \$75,000 to \$200,000 through November 1, 2019; interest ranging from 4.5 to 6.0 percent	\$ 1,950,000
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The 2004 \$2,740,000 Water Supply System No. IX Bonds, dated February 10, 2004, were Issued to partially refund the 1996 Water Supply System No. IX Bonds, dated February 1, 1996 and the 1998 Water Supply System No. IX Bonds, dated February 1, 1998. The 2004 bonds Are due in annual installments ranging from \$180,000 to \$275,000 through November 1, 2016; interest ranging from 2.0 to 5.0 percent.	<u>2,740,000</u> <u>\$ 4,690,000</u>
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BURTCHVILLE TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 9 – LONG-TERM DEBT – (cont'd):

Annual Debt Requirements:

The annual requirements to pay the debt principal and interest outstanding at March 31, 2005, are as follows:

	Business-Type Activities	
	G.O. Bonds	
	Principal	Interest
2006	\$ 285,000	\$ 182,228
2007	265,000	174,578
2008	255,000	166,278
2009	315,000	159,303
2010	375,000	149,965
2011-2015	1,850,000	538,462
2016-2020	<u>1,345,000</u>	<u>171,693</u>
	<u>\$ 4,690,000</u>	<u>\$ 1,542,507</u>

NOTE 10 – WATER SUPPLY SYSTEM AGREEMENT:

Burtchville Township does not own a water filtration plant. Under an agreement dated July 24, 1996, the Township agreed to purchase its present and future water requirements from the St. Clair County Department of Public Works. The County in turn amended its contract with the Detroit Water Board to supply the Township water needs.

NOTE 11 – RESTRICTED ASSETS:

The restricted assets of \$61,728 in the Cemetery Perpetual Care Fund for perpetual care. The restricted assets of \$3,214,667 in the Water Fund are for capital improvements/debt retirement.

NOTE 12 – RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:

Reserved Fund Balance/Retained Earnings –

Fund Balance/Retained Earnings has been reserved in the various fund types to indicate that a portion of the Fund Balance/Retained Earnings is not available but reserved for specific purposes:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Fund Balance –		
General Fund	Fund Balance	\$ 173,185
Cemetery Perpetual Care Fund	Cemetery Perpetual Care	<u>60,728</u>
		<u>\$ 233,917</u>
Retained Earnings –		
Water Fund	Debt Retirement	<u>\$ 3,206,271</u>

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 13 – RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, would be responsible should limit of coverages be exceeded.

NOTE 14 – PRIOR PERIOD ADJUSTMENT:

Proprietary Fund:

A prior period adjustment of \$5,092,641 was recorded to the Water Fund retained earnings at March 31, 2004 to discontinue the reporting of contributed capital as a separate component of fund equity as required by GASB No. 33. In addition, a prior period adjustment of (\$25,801) was recorded to the Water Fund retained earnings at March 31, 2004, to adjust special assessments receivable, (\$66,840) to record accrued interest and (\$147,358) to adjust discount/premium on refunding bonds. Therefore, net assets as reported at March 31, 2004, increased from \$2,748,974 to \$7,601,616.

NOTE 15 - RESTATEMENTS:

As of and for the year ended March 31, 2005, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*
- No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments.

BURTCHVILLE TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 15 – RESTATEMENTS – (cont’d):

The more significant of the changes required by the new standards include:

- Management’s discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended March 31, 2005, the following restatements were made to net assets at March 31, 2004:

Government-wide financial statements. Beginning net assets for governmental activities were determined as follows:

Fund balances of general and special revenue funds as of March 31, 2004	\$ 979,597
Reclassification of Cemetery Perpetual Care	<u>56,569</u>
	1,036,166
Add: capital assets	1,439,217
Less: accumulated depreciation on capital assets	(462,685)
Add: prepaid expenses	<u>17,175</u>
Net Assets at March 31, 2004	<u>\$ 2,029,873</u>

REQUIRED SUPPLEMENTARY INFORMATION

BURTCHVILLE TOWNSHIP
St. Clair County, Michigan

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 71,176	\$ 71,176	\$ 79,734	\$ 8,558
Licenses and permits	20,300	20,300	22,954	2,654
Intergovernmental - State	275,000	275,000	275,304	304
Charges for services	37,623	37,623	51,944	14,321
Interest and rent	2,800	2,800	5,541	2,741
Other	8,800	8,800	1,373	(7,427)
Total Revenues	<u>415,699</u>	<u>415,699</u>	<u>436,850</u>	<u>21,151</u>
Expenditures:				
General Government -				
Legislative	9,340	9,340	6,779	2,561
Supervisor	15,750	15,750	14,400	1,350
Clerk	25,300	25,300	23,409	1,891
Treasurer	20,945	20,945	19,251	1,694
Assessor	19,325	19,325	18,431	894
Board of Review	1,970	1,970	1,007	963
Election	11,060	11,060	8,478	2,582
General Expenses	223,850	230,350	170,615	59,735
	<u>327,540</u>	<u>334,040</u>	<u>262,370</u>	<u>71,670</u>
Public Safety -				
Building Enforcement	2,625	2,625	1,292	1,333
Planning Commission	13,500	13,500	4,653	8,847
Zoning Board of Appeals	1,800	1,800	867	933
	<u>17,925</u>	<u>17,925</u>	<u>6,812</u>	<u>11,113</u>
Public Works -				
Roads and Drains	75,000	75,000	69,768	5,232
Street Lighting	25,000	27,000	26,300	700
	<u>100,000</u>	<u>102,000</u>	<u>96,068</u>	<u>5,932</u>
Total Expenditures	<u>445,465</u>	<u>453,965</u>	<u>365,250</u>	<u>88,715</u>
Excess of revenues over (under) expenditures	(29,766)	(38,266)	71,600	109,866
Other Financing Uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>
Net change in Fund Balance	(29,766)	(38,266)	65,600	103,866
Fund Balance at beginning of year	<u>465,625</u>	<u>465,625</u>	<u>465,625</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 435,859</u>	<u>\$ 427,359</u>	<u>\$ 531,225</u>	<u>\$ 103,866</u>

BURTCHVILLE TOWNSHIP**St. Clair County, Michigan****FIRE CAPITAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED MARCH 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 93,744	\$ 93,744	\$ 103,155	\$ 9,411
Interest	2,000	2,000	1,296	(704)
Other revenue	225,000	225,000	-	(225,000)
Total Revenues	320,744	320,744	104,451	(216,293)
Expenditures:				
Public Safety	313,595	313,595	307,623	5,972
Excess of revenues over (under) expenditures	7,149	7,149	(203,172)	(210,321)
Fund Balance at beginning of year	130,472	130,472	130,472	-
Fund Balance (Deficit) at end of year	<u>\$ 137,621</u>	<u>\$ 137,621</u>	<u>\$(72,700)</u>	<u>\$(210,321)</u>

BURTCHVILLE TOWNSHIP, MICHIGAN**St. Clair County, Michigan****BUILDING INSPECTIONS FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED MARCH 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and Permits -				
Building permits	\$ 27,000	\$ 27,000	\$ 43,568	\$ 16,568
Electrical permits	8,000	8,000	16,291	8,291
Plumbing and mechanical permits	18,900	18,900	21,782	2,882
Interest	100	100	357	257
Total Revenues	<u>54,000</u>	<u>54,000</u>	<u>81,998</u>	<u>27,998</u>
Expenditures:				
Public Safety -				
Building inspection	27,050	28,000	28,117	(117)
Electrical inspection	9,802	12,000	11,854	146
Plumbing inspection	16,500	18,000	17,813	187
Administrative expense	-	19,000	19,050	(50)
Total Expenditures	<u>53,352</u>	<u>77,000</u>	<u>76,834</u>	<u>166</u>
Excess of revenues and other sources over (under) expenditures	648	(23,000)	5,164	28,164
Fund Balance at beginning of year	<u>8,160</u>	<u>8,160</u>	<u>8,160</u>	<u>-</u>
Fund Balance (Deficit) at end of year	<u>\$ 8,808</u>	<u>\$(14,840)</u>	<u>\$ 13,324</u>	<u>\$ 28,164</u>

OTHER SUPPLEMENTARY INFORMATION

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2005

	Special Revenue Funds				Permanent Fund	
	Cemetery	Parks and Recreation	Blue Water Area Transportation	Public Improvement	Cemetery Perpetual Care	Totals
ASSETS						
Cash and cash equivalents	\$ 4,805	\$ 64,819	\$ 82,292	\$ 267,948	\$ -	\$ 419,864
Receivables -						
Taxes	-	-	4,054	-	-	4,054
Due from other funds	1,000	-	-	-	-	1,000
Restricted Assets-						
Cash and cash equivalents	-	-	-	-	6,667	6,667
Investments	-	-	-	-	47,373	47,373
Interest Receivable	-	-	-	-	7,688	7,688
	<u>\$ 5,805</u>	<u>\$ 64,819</u>	<u>\$ 86,346</u>	<u>\$ 267,948</u>	<u>\$ 61,728</u>	<u>\$ 486,646</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 234	\$ 263	\$ -	\$ -	\$ -	\$ 497
Deferred Revenue	-	56,000	-	-	-	56,000
Due to other funds	3,623	-	-	-	1,000	4,623
	<u>3,857</u>	<u>56,263</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>61,120</u>
Fund Balances:						
Reserved -						
Perpetual Care	-	-	-	-	60,728	60,728
Unreserved -						
Undesignated	1,948	8,556	86,346	267,948	-	364,798
	<u>1,948</u>	<u>8,556</u>	<u>86,346</u>	<u>267,948</u>	<u>60,728</u>	<u>425,526</u>
	<u>\$ 5,805</u>	<u>\$ 64,819</u>	<u>\$ 86,346</u>	<u>\$ 267,948</u>	<u>\$ 61,728</u>	<u>\$ 486,646</u>

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	Special Revenue Funds				Permanent Fund	
	Cemetery	Parks and Recreation	Blue Water Area Transportation	Public Improvement	Cemetery Perpetual Care	Total
Revenues:						
Taxes	\$ -	\$ -	\$ 54,056	\$ -	\$ -	\$ 54,056
Intergovernmental - local	-	14,293	-	-	-	14,293
Charges for services	14,978	-	-	-	-	14,978
Interest	1,716	809	1,189	3,556	3,242	10,512
Other revenue	792	3,020	-	-	917	4,729
	<u>17,486</u>	<u>18,122</u>	<u>55,245</u>	<u>3,556</u>	<u>4,159</u>	<u>98,568</u>
Expenditures:						
Public Works	21,993	-	70,053	-	-	92,046
Recreation and Cultural	-	18,905	-	-	-	18,905
	<u>21,993</u>	<u>18,905</u>	<u>70,053</u>	<u>-</u>	<u>-</u>	<u>110,951</u>
Excess of revenues over (under) expenditures	(4,507)	(783)	(14,808)	3,556	4,159	(12,383)
Other Financing Sources:						
Transfers in	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Excess of revenues and other sources over (under) expenditures	1,493	(783)	(14,808)	3,556	4,159	(6,383)
Fund Balances at beginning of year	<u>455</u>	<u>9,339</u>	<u>101,154</u>	<u>264,392</u>	<u>56,569</u>	<u>431,909</u>
Fund Balances at end of year	<u>\$ 1,948</u>	<u>\$ 8,556</u>	<u>\$ 86,346</u>	<u>\$ 267,948</u>	<u>\$ 60,728</u>	<u>\$ 425,526</u>

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Charges for services -				
Sale of lots	\$ 1,300	\$ 1,300	\$ 6,550	\$ 5,250
Grave openings	6,600	6,600	8,428	1,828
Interest	66	66	1,716	1,650
Other	-	-	792	792
	<u>7,966</u>	<u>7,966</u>	<u>17,486</u>	<u>9,520</u>
Expenditures:				
Public Works				
Salaries and fringes	808	808	512	296
Contracted services	5,000	5,000	3,970	1,030
Travel	275	275	-	275
Utilities	250	250	495	(245)
Repairs and maintenance	13,200	13,200	11,870	1,330
Supplies	155	155	134	21
Education and training	200	200	-	200
Capital outlay	6,800	6,800	1,939	4,861
Miscellaneous	847	847	3,073	(2,226)
	<u>27,535</u>	<u>27,535</u>	<u>21,993</u>	<u>5,542</u>
Excess of revenues over (under) expenditures	(19,569)	(19,569)	(4,507)	15,062
Other Financing Sources:				
Transfers in	<u>9,000</u>	<u>9,000</u>	<u>6,000</u>	<u>(3,000)</u>
Excess of revenues and other sources over (under) expenditures	(10,569)	(10,569)	1,493	12,062
Fund Balance at beginning of year	<u>455</u>	<u>455</u>	<u>455</u>	<u>-</u>
Fund Balance (Deficit) at end of year	<u><u>\$ (10,114)</u></u>	<u><u>\$ (10,114)</u></u>	<u><u>\$ 1,948</u></u>	<u><u>\$ 12,062</u></u>

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

PARKS AND RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Intergovernmental -				
State	\$ 239,130	\$ 239,130	\$ -	\$ (239,130)
Local	13,000	13,000	14,293	1,293
Interest	95	95	809	714
Other	-	-	3,020	3,020
	<u>252,225</u>	<u>252,225</u>	<u>18,122</u>	<u>(234,103)</u>
Expenditures:				
Recreation and Culture	<u>389,157</u>	<u>400,610</u>	<u>18,905</u>	<u>381,705</u>
Excess of revenues over (under) expenditures	(136,932)	(148,385)	(783)	147,602
Fund Balance at beginning of year	<u>9,339</u>	<u>9,339</u>	<u>9,339</u>	<u>-</u>
Fund Balance (Deficit) at end of year	<u><u>\$ (127,593)</u></u>	<u><u>\$ (139,046)</u></u>	<u><u>\$ 8,556</u></u>	<u><u>\$ 147,602</u></u>

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

BLUE WATER TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 47,921	\$ 47,921	\$ 54,056	\$ 6,135
Interest	1,500	1,500	1,189	(311)
	<u>49,421</u>	<u>49,421</u>	<u>55,245</u>	<u>5,824</u>
Expenditures:				
Public Works	<u>75,000</u>	<u>75,000</u>	<u>70,053</u>	<u>4,947</u>
Excess of revenues under expenditures	(25,579)	(25,579)	(14,808)	10,771
Fund Balance at beginning of year	<u>101,154</u>	<u>101,154</u>	<u>101,154</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 75,575</u>	<u>\$ 75,575</u>	<u>\$ 86,346</u>	<u>\$ 10,771</u>

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

PUBLIC IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest	\$ 2,500	\$ 2,500	\$ 3,556	\$ 1,056
Expenditures:				
Other	<u>22</u>	<u>22</u>	<u>-</u>	<u>22</u>
Excess of revenues over expenditures	2,478	2,478	3,556	1,078
Other Financing Uses:				
Transfers out	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>	<u>110,000</u>
Excess of revenues and other sources over (under) expenditures	(107,522)	(107,522)	3,556	111,078
Fund Balance at beginning of year	<u>264,392</u>	<u>264,392</u>	<u>264,392</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 156,870</u></u>	<u><u>\$ 156,870</u></u>	<u><u>\$ 267,948</u></u>	<u><u>\$ 111,078</u></u>

FIDUCIARY FUNDS

BURTCHVILLE TOWNSHIP

**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - CURRENT TAX FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
Assets:				
Cash and cash equivalents	<u>\$ 3,645</u>	<u>\$ 2,949,598</u>	<u>\$ 2,948,763</u>	<u>\$ 4,480</u>
Liabilities:				
Due to other governmental funds	<u>\$ 3,645</u>	<u>\$ 2,567,648</u>	<u>\$ 2,566,813</u>	<u>\$ 4,480</u>

To the Members of the Township Board
Burtchville Township
St. Clair County, Michigan

In planning and performing our audit, we considered Burtchville Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Reportable conditions are described below:

All permits should be prenumbered and collected at the Town Hall.

At the current time the permits issued are not prenumbered nor is the sequence of the permits accounted for on a routine basis. To increase controls we recommend that all permits be prenumbered and periodically reconciled by a person not involved in the issuing receipting process.

In addition, the plumbing/mechanical inspector currently issues plumbing and mechanical permits. To increase controls over these permits we recommend that all permits be issued by the Township Hall.

Daily reconciliation between the cash receipts listing report and physical cash received should be performed prior to releasing funds to the Treasurer.

During our audit inquiries, we noted that a reconciliation between the cash register receipts listing report and the physical cash on hand is not performed on a daily basis prior to bundling the reports, checks, cash and duplicate receipts and leaving them in the Township safe for the Treasurer to prepare the deposit slip.

To increase controls we recommend that the amounts be balanced before the funds are passed on in order to eliminate any discrepancies in the amount to be deposited.

We also noted certain other matters involving the internal control over financial reporting that we reported to management of Burtchville Township in a separate letter dated July 1, 2005.

This report is intended for the information and use of management and the Township Board of Burtchville Township, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



July 1, 2005

MANAGEMENT LETTER

To the Supervisors and Members
of the Township Board
Burtchville Township
St. Clair County, Michigan

As you know, we have recently completed our audit of the records of Burtchville Township, Michigan, for the year ended March 31, 2005. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the Township's recordkeeping system or compliance with laws and regulations. These suggestions are a result of our evaluation of internal accounting controls and procedures and our discussions with management. As noted in our Report on Internal Accounting Controls, these weaknesses were not considered material in relation to the basic financial statements of Burtchville Township.

Bank accounts are being maintained for the Little League utilizing the Township's federal identification number.

During our audit it was noted that there are a couple of bank accounts that belong to the Little League, which is a non-profit organization, and is utilizing the Township's federal identification number.

We recommend that the Township work with the Little League get the Township federal identification removed.

The employee personnel policies should be reviewed for conflicting statements in regards to vacation payout upon termination of employment.

At the current time, the personnel manual contains conflicting statements in regards to vacation time being vested and whether it is to be paid to employees terminating employment or not.

We suggest that the personnel policies be reviewed and conflicting policy's removed.

Bank deposit slips should itemize all amounts being deposited.

Currently the bank deposit slips do not itemize each check being deposited. In order to reconcile from the cash receipting reports to the bank statement, the deposit slip or an attached report should document all items and amounts that are included in that specific deposit.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the March 31, 2005 financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information of the audit committee, administration and the Township Board of Burtchville Township and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

July 1, 2005